

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 89

(Montgomery County Delegation)

Economic Matters

Education, Health, and Environmental Affairs

Montgomery County - Alcoholic Beverages - Class BD-BWL License
MC 18-15

This bill establishes a Class BD-BWL alcoholic beverages license in Montgomery County. The annual license fee is \$3,500. The license authorizes the sale of beer and wine for consumption on or off the licensed premises, as well as liquor for consumption only on the licensed premises. The bill establishes provisions relating to operating days and hours as well as food ratio requirements. The holder of a Class BD-BWL license may also (1) hold a Class 7 micro-brewery license issued for a location in Montgomery County and (2) obtain a refillable container permit for draft beer. A single license holder may not hold more than one Class BD-BWL license. A Class BD-BWL license may be issued in the City of Takoma Park.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues to the extent that the bill results in additional Class 7 micro-brewery licenses being issued in Montgomery County. Expenditures are not materially affected.

Local Effect: Montgomery County revenues increase by \$600 for each Class BD-BWL license application due to filing fees, \$3,500 annually for each Class BD-BWL license issued due to annual license fees, and \$400 annually for each refillable container permit issued due to annual license fees. Expenditures are not materially affected.

Small Business Effect: Minimal overall, but potentially meaningful positive impact for any business that applies for and obtains a Class BD-BWL license.

Analysis

Bill Summary: Under the Class BD-BWL license, on any day of the week, alcoholic beverages may be sold (1) for consumption on the licensed premises from 10 a.m. to 2 a.m. the following day and (2) for consumption off the licensed premises from 6 a.m. to 1 a.m. the following day.

As a prerequisite for the initial issuance of a Class BD-BWL licensee, the owner must attest in a sworn statement that gross receipts from food sales will be at least equal to 40% of the gross receipts from the sale of food and alcoholic beverages during specified hours on specified days of the week. The bill establishes provisions relating to monthly reporting and inspections to ensure compliance with the food sales ratio requirements.

Current Law: In Maryland, Class B licenses allow licensees to sell alcoholic beverages in specified hotels and restaurants for consumption on or off premises. Any holder of a Class B license in Montgomery County must maintain food sales equal to at least 40% of food and alcohol sales combined. Other types of establishments cannot normally acquire a license, but may be granted eligibility to apply. In Montgomery County, eligibility to apply for an alcoholic beverages license extends to theatres, corporate training centers, culinary schools, art sale galleries, and beauty salons. A fee of \$600 must be submitted with each application for an alcoholic beverages license in Montgomery County. Annual license fees vary depending on the type of license. Only specified classes and types of alcoholic beverages licenses may be issued for use in Takoma Park.

Although State law generally limits the number of alcoholic beverages licenses that may be issued to a single license holder, in Montgomery County, additional Class B beer, wine, and liquor licenses may be obtained under specified conditions.

Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office for use in several jurisdictions. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions in certain jurisdictions. In Montgomery County, a Class 7 micro-brewery license may be issued to a Class H beer and light wine license holder or a Class D beer and light wine license holder. The annual license fee is \$500.

Statewide law prohibits any retail dealer, or agent or employee of a retail dealer, from refilling any container of alcoholic beverages with any substance after the container has been emptied of its original contents, except in specified jurisdictions which authorize the sale of alcoholic beverages in refillable containers.

Chapter 518 of 2014 standardized requirements for refillable containers used in the sale of draft beer or wine for off premises consumption across the State. A permit holder may

refill a refillable container originating from inside or outside the State that meets the following requirements, as well as any other standards for refillable containers adopted by the Comptroller.

- A refillable container for beer must have a capacity of not less than 32 ounces and not more than 128 ounces and must bear a label stating that the contents of the container are perishable and should be refrigerated immediately and consumed within 48 hours after purchase.
- A refillable container for wine must have a capacity of not less than 17 ounces and not more than 34 ounces.
- A refillable container used for beer or wine must (1) be sealable; (2) be branded with an identifying mark of the seller of the container; (3) bear a specified federal health warning statement; (4) display instructions for cleaning the container; and (5) bear a label stating that cleaning the container is the responsibility of the consumer.

The Montgomery County Board of License Commissioners is authorized to issue a refillable container permit to the holder of a Class B or Class D beer and light wine license. This permit entitles the holder to sell draft beer for consumption off the licensed premises in a refillable container with a capacity of not less than 32 ounces and not more than 128 ounces. The annual fee is \$400.

Background: In fiscal 2014, 507 Class B beer, wine, and liquor licenses were in effect for locations in Montgomery County. Additionally, in fiscal 2014, there were 27 Class 7 micro-brewery licenses issued in the State, 4 of which were located in Montgomery County.

The Montgomery County Department of Liquor Control advises that there are currently two entities interested in obtaining a Class BD-BWL license.

Local Revenues: The Montgomery County Board of License Commissioners requires a filing fee of \$600 with each application for an alcoholic beverages license, and the bill establishes a \$3,500 annual fee for a Class BD-BWL license. Thus, local revenues increase by \$600 at the time of application and \$3,500 annually for each Class BD-BWL license issued. *For illustrative purposes*, if two entities apply for and obtain a Class BD-BWL license, Montgomery County revenues increase by \$8,200 in the first year and \$7,000 annually thereafter. In addition, Montgomery County revenues increase by \$400 for each refillable container permit issued as a result of the bill. Any enforcement activities can be handled with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - January 27, 2015
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